

GENERAL INFORMATION

Municipality Grade 7

Speaker

Cllr SE Ndimma

Chair

MAYOR	: Cllr RT Nukani (Ms)
DEPUTY MAYOR	: Cllr AM Raubenheimer
COUNCILLOR	: Cllr PG Mabilisa

Councillors

D Singh	PM Bisram	JA Tshabalala (Ms)
WN Mbatha (Ms)	AM Mthembu	TB Mkhize
DP Nkosi (Ms)	PM Nxele	

Auditors

Auditor-General

Bankers

First National Bank

Registered Office

Civic Centre
Victoria Street
Private Bag 2024
Dundee; 3000

Telephone Number : 034 2122121
Fax Number : 034 - 2122192

Municipal Manager

DB Cebekhulu

Financial Manager

I Grisdale



MEMBERS OF THE ENDUMENI MUNICIPAL COUNCIL

Ward

Councillor

1	PM Bislam	ANC
2	SE Ndim	ANC
3	PM Nxele	IFP
4	RT Nukani	ANC
5	AM Mthembu	ANC
6	TB Mkhize	ANC

Proportional

1	PG Mabilisa	IFP
2	WN Mbatha	IFP
3	DP Nkosi	DA
4	AM Raubenheimer	DA
5	D Singh	ANC
6	JA Tshabalala	IFP



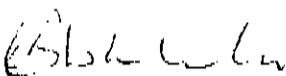
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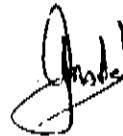
APPROVAL OF FINANCIAL STATEMENTS

The un-audited Annual Financial Statements for the financial year ended 30 June 2006 were approved by the Municipal Manager and the Financial Manager on the 28th of August 2006.

It is hereby certified that the salaries, allowances and benefits of Councillors as disclosed in note 13 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.


D.B. Cebekhulu

MUNICIPAL MANAGER
BA (Unisa) Public Administration
Municipal Government and Administration
Chief Executive Certificate
(University of Durban Westville)
Diploma for Health Inspectors



J. Grisdale
FINANCIAL MANAGER
B Comm
A.I.M.F.O
Registered Municipal
Accountant



FOREWORD

The books of Endumeni Municipality closed off with a surplus of R6,606.00 as against a budgeted surplus of R6,435.00.

During the year under review the following projects were undertaken:

- Upgrade of Municipal Roads
- Upgrade of Electrical Network
- Conversion of single units to family dwellings at Sibongile and Sithembile
- Upgrade of single units at Sibongile and Sithembile Hostels
- Construction of houses at Extension 18
- Establishment of a waste management facility at Glencoe

Although services debtors grew from 1 July 2005 to 30 June 2006 by a reduced amount of R3,776,082.00 the collection of outstanding debts remains a problem and will have to be addressed in the new year.

All Councillors are requested to actively encourage consumers, not on the indigent list, to pay for the services rendered to them.

R.T. Nkomo

MAYOR
ENDUMENI MUNICIPALITY



REPORT FROM THE FINANCIAL MANAGER

1. INTRODUCTION

I am pleased to present a concise overview of the past financial year's operating results. The books closed with an overall surplus of R 6 605.88 as against the budgeted surplus of R 6 435.00

2. OPERATING RESULTS

Details regarding the operating results per department, classification and type of income or expenditure are given in appendix D and E. The relevant statistics are shown in appendix F. The overall operating results for the year were as follows :

	Actual 2005 R'ooo	Actual 2006 R'ooo	Variance %	Budget 2006 R'ooo	Variance %
Income					
Opening surplus	9,290	18,776	102.10	18,776	0.00
Operating income for the year	89,869	78,183	-13.00	77,705	0.61
	<u>99,159</u>	<u>96,958</u>	<u>-2.22</u>	<u>96,481</u>	<u>0.50</u>
Expenditure					
Operating expenditure for the year	74,948	76,067	1.49	77,699	-2.10
Appropriations	5,435	18,035	231.83	2,133	745.54
Closing surplus	18,776	2,856	-84.79	18,782	-84.79
	<u>99,159</u>	<u>96,958</u>	<u>-2.22</u>	<u>98,614</u>	<u>-1.68</u>

3. Rate & General Services

	Actual 2005 R'ooo	Actual 2006 R'ooo	Variance %	Budget 2006 R'ooo	Variance %
Income	49,231	48,912	-0.65	47,862	2.19
Expenditure	46,540	49,207	5.73	52,142	-5.63
Deficit	<u>-2,691</u>	<u>295</u>	<u>-110.98</u>	<u>4,280</u>	<u>-93.10</u>
Deficit as % of total income	<u>-2.99</u>	<u>0.38</u>		<u>-5.51</u>	

4. Rate & General Sewerage

	Actual 2005 R'ooo	Actual 2006 R'ooo	Variance %	Budget 2006 R'ooo	Variance %
Income	5,020	0	0.00	0	0.00
Expenditure	1,422	0	0.00	0	0.00
Surplus	<u>-3,598</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>
Surplus as % of total income	<u>-4.00</u>	<u>0.00</u>		<u>0.00</u>	

5. Housing Services

	Actual 2005 R'ooo	Actual 2006 R'ooo	Variance %	Budget 2006 R'ooo	Variance %
Income	1,582	875	-44.69	963	-9.17
Expenditure	1,888	830	-56.05	788	5.25
Surplus	<u>306</u>	<u>-45</u>	<u>-114.77</u>	<u>-175</u>	<u>-74.16</u>
Surplus as % of total income	<u>-0.34</u>	<u>0.06</u>		<u>0.23</u>	

6. Trading Services

	Actual 2005 R'ooo	Actual 2006 R'ooo	Variance %	Budget 2006 R'ooo	Variance %
Electricity					
Income	27,983	28,396	1.48	28,880	-1.68
Expenditure	24,670	26,030	5.51	24,768	5.09
Surplus	<u>3,312</u>	<u>2,366</u>	<u>-28.56</u>	<u>4,112</u>	<u>-42.46</u>
Surplus as % of total income	<u>3.69</u>	<u>3.03</u>		<u>-5.29</u>	
Water					
Income	11,073	0	0.00	0	0.00
Expenditure	1,851	0	0.00	0	0.00
Surplus	<u>9,223</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Surplus as % of total income	<u>10.26</u>	<u>0.00</u>		<u>0.00</u>	

7. Capital Expenditure

Capital expenditure for the year amounted to R 5 995 573.52

Buildings	0.00
Improvements	5,448,300.10
Plant	547,273.42
Reticulation	0.00
Development	0.00
	<u>5,995,573.52</u>

Funding of Capital Assets

CDF	330,000.00
Revenue	3,469,814.38
PIF	1,717,169.62
Loans	0.00
Grants	<u>478,789.52</u>
	<u>6,995,573.52</u>

Spending Services

Rates & General	4,179,657.78
Refuse	16,000.00
Electricity	<u>1,799,915.74</u>
	<u>6,995,573.52</u>

A complete analysis of capital expenditure per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B. There is no capital commitment carried forward to the new year.

8. External loans, investments, and cash

On the 30 th June 2006 the outstanding loans amounted to R 25 196 908.03 .
Annuity loans amounted to R 17 214 665.03 .
Loans outstanding on the 30 th June 2005 amounted to R 25 832 947.57 .
Investments at 30/06/2006 amounted to R27 104 738.73 and cash on hand to R 4 033 183.62 .
More information is available under notes 4 and 6 and appendix B.

9. Funds and Provisions

Notes 1,2 and 10 contain further information on Accumulated funds, reserves and provisions. The consolidated capital development fund now stands at R 52 261 666 and is a very valuable source of financing for fixed assets especially in view of the difficulties of obtaining external finance for local authorities.

10. Section 21 Company.

The Munsoft usergroup of which Council is a member formed a Section 21 company (not for gain) to manage and control the software belonging to the users. The Assistant Financial Manager is currently a director of the company.

11. Guarantees.

The council has accepted liability for the amount of R 1 785 092.00 to cover the estimated consumption of electricity for three months in which case ESKOM would be a preferential creditor.

12. Prior Years adjustments.

Prior year adjustments are in respect of items relating to the previous financial year such as valuation appeals reducing property rates. Details are available in the final accounts file.

13. Contingent liability.

There are no contingent liabilities at present.

14. Post Balance Sheet Events

None

15. Projects.

Incomplete projects have been treated as debtors and creditors. Where necessary these will be capitalised upon completion .
Separate financial records and statements are available for the following projects :- Sewing and Block Making.

16. Expression of appreciation

I would like to express my gratitude to the Mayor , Speaker , Councillors, the Municipal Manager and heads of departments, members of the treasury staff, and in particular members of the Audit staff with which I have been associated , for their assistance and support during the past year.


I. Girdale
Financial Manager
25/08/2006

ACCOUNTING POLICIES

1. Basis of presentation

- 1.1. These financial statements have been prepared so as to confirm to be standards laid down by the institute of Municipal Finance Officers in its code of practice for Local Government Accounting and the report on the standardisation of financial statement of local authorities.
- 1.2. The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 5. The accounting policies are consistent with those applied in the previous financial year, except as otherwise indicated.
- 1.3. The financial statements are prepared on the accrual basis:
Income is accrued when collectable and measurable. Certain direct income such as traffic fines and certain licenses are accrued when received. Expenditure is accrued in the year it is incurred.

2. Consolidation

The balance sheet includes Rate & General Services, the Trading Services and the various funds and provisions. All inter-departmental transactions are off-set against each other, with the exception of assessment rates, electricity, refuse, sewerage and water which are treated as income and expenditure in the respective departments.

3. Fixed Assets

- 3.1. Fixed assets are stated at historical cost
- 3.2. Depreciation:
The balance shown against the heading "Loans redeemed & other capital receipts" in the notes to the balance sheet is tantamount to a provision for depreciation. Apart from advances from the various Council funds assets may also be acquired through:
 - Appropriations from income, where the full cost of the asset forms an immediate and direct charge against operation income and therefore it is unnecessary to make any further provision for depreciation.
 - Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "loans redeemed and other capital receipts" account.
- 3.3. The net proceeds from the sale of fixed assets are credited to the Capital Development Fund.
- 3.4. Capital assets are financed from different sources, including external loans operation income and internal advances. These loans and advances are repaid within the estimated useful lives of the assets acquired from such loans and advances. Interest is charged to the service concerned at the appropriate rate applicable at the time the advance is made.



4. Stock

Stock is valued at the lower of cost, determined on the weighted average basis and the net realisable value.

Refuse bags are valued at selling price.

5. Funds

5.1. Capital development fund

Section 103 of the Local Authorities Ordinance 1974 (no 25 of 1974) stipulates that the Council shall administer a capital development fund into which it shall pay not less than 3% of the annual revenue accruing to the borough fund and the relevant trading fund.

5.2. Public Improvement Fund

The Council operates a Public Improvement Fund which is used for the purchase of land and development thereof. The proceeds of the sale of immovable property are credited to this fund. Advances are also made to borrowing Funds for capital work at market related interest rates (section 103 of the Local Authority Ordinance 1974 [No 25 of 1974] has reference).

5.3. Loan Redemption Fund

Contributions are made to the loan redemption fund on an annual basis in respect of external loans taken up. The amount of the contribution is determined on a straight line basis over the period of the loan. No interest is paid to the redemption fund. Interest earned is credited directly to income.

5.4. Depreciation & Renewals Fund

This fund is not active. In fact it has not been used in the past 15 years. This reserve will be transferred appropriately with the introduction of GAMAP.

5.5. Covenant Bursary Fund

This is to be renamed "Endumeni Staff Study Loan Scheme" and to be utilised in accordance with the scheme adopted by Council.

6. Retirement benefits

Council employees belong to either the Natal Joint Municipal Pension funds (Superannuation, Retirement or Provident) or the Sala pension fund. Councillors



have the option of belonging to the Municipal Councillors Pension Fund. An actuarial valuation of the funds are done on tri-annual basis. Particulars are on file.

7. Treatment of Administrative costs

The cost of internal support services are debited to the respective services making use of them in accordance with the guidelines laid down by the IMFO Overhead costs are also re-allocated on this basis.

8. Investments

Investments are shown at the original cost and are invested as prescribed in section 125 of Ordinance 25 of 1974.

9. Income recognition

9.1. Electricity and Water billings

All meters are read and billed monthly. Where meters cannot be read during a particular month, they are billed at an average consumption. Income is recognised at the date meters are read and levies made.

9.2. Assessment rates

Rates were assessed on different bases for Dundee, Glencoe and Wasbank. The reason for this was that each area has a different valuator and a different system of rating. The changes should coincide with the introduction of the rating act.

All rebates are conditional on the rates being paid by the due date.

10. Surplusses Realised

Surplusses realised are retained in the Appropriation Account of the relative fund. Electricity surplusses are generally transferred to the appropriation account of Rate & General Services so as to subsidise this service.

11. Reserves & Provisions

Council currently has numerous reserves and provisions. With the introduction of GAMAP or GRAP the provisions and reserves which are not required will be transferred to the reserve for doubtful debts.



ENDUMENI MUNICIPALITY

BALANCE SHEET AT 30 JUNE 2006

	NOTE	2005/2006 R	2004/2005 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		81,072,887	76,069,251
Accumulated funds	1	69,104,647	64,446,055
Reserves	2	11,968,240	11,623,197
RETAINED SURPLUS	16	2,856,222	18,775,635
TRUST FUNDS	3	115,490	83,959
LONGTERM LIABILITIES	4	24,054,665	25,032,985
		<u>108,099,264</u>	<u>119,961,830</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	45,351,304	47,222,304
INVESTMENTS	6	27,104,739	29,708,202
LONG TERM DEBTORS	7	2,418,647	2,590,208
NET CURRENT ASSETS/LIABILITIES		33,224,575	40,441,116
CURRENT ASSETS		96,683,985	99,468,950
Stock	8	2,273,366	1,904,196
Debtors	9	90,377,435	94,207,067
Cash	22	4,033,184	3,357,686
Deferred charges		0	0
CURRENT LIABILITIES		63,459,410	59,027,834
Provisions	10	646,600	878,890
Creditors	11	61,668,568	57,348,981
Loans: Short-term portion	4	1,144,243	799,963
Bank Overdraft		0	0
		<u>108,099,264</u>	<u>119,961,830</u>

INCOME STATEMENT FOR THE YEAR ENDED

30 JUNE 2006

2004/2005 ACTUAL INCOME	2004/2005 ACTUAL EXPEND	2004/2005 ACTUAL SURPLUS/ (DEFICIT)		2005/2006 ACTUAL INCOME	2005/2006 ACTUAL EXPEND	2005/2006 ACTUAL SURPLUS/ (DEFICIT)	2005/2006 BUDGET SURPLUS/ (DEFICIT)
			RATE & GENERAL SERVICES				
49,230,976	46,539,816	2,691,360		48,911,951	49,207,387	-295,437	-2,943,134
36,977,274	31,986,311	4,990,963	COMMUNITY SERVICES	38,909,653	34,476,861	4,432,792	2,556,252
1,237,290	7,224,613	-5,987,323	SUBSIDISED SERVICES	2,651,550	7,709,533	-5,057,982	-5,135,345
11,016,412	7,328,892	3,687,720	ECONOMIC SERVICES	7,350,747	7,020,994	329,753	-364,041
1,581,725	1,887,799	-306,074	HOUSING SERVICES	874,865	829,660	45,205	174,911
39,056,065	26,520,999	12,535,065	TRADING SERVICES	28,395,972	26,029,831	2,366,141	4,907,657
89,868,766	74,948,414	14,920,351	TOTAL	78,182,788	76,066,879	2,115,909	2,139,434
		-3,344,579	Appropriations			-15,926,019	0
		-2,090,553	CDF Contributions			-2,109,303	-2,133,000
		12,829,798	Surplus(Deficit) for the year			6,606	6,434
		9,290,416	Surplus(Deficit)begining of year			18,775,635	18,775,635
			Unappropriated Surplus/Accumulated Deficit				
		18,775,835	at end of year			2,856,222	18,782,069
		18,775,835	Surplus 30/06/2006			2,856,222	18,782,069

ENDUMENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	<u>2005/2006</u>	<u>2004/2005</u>
CASH RETAINED FROM OPERATION ACTIVITIES	3,534,600	8,831,364
Cash generated by operations	-7,406,812	13,763,830
Investment income	5,479,238	6,710,082
Increase/Decrease in working capital	6,352,679	-7,052,532
	4,425,105	13,421,380
Less: Interest paid	-3,167,672	-4,844,443
Cash available from operations	1,257,433	8,576,937
Cash contributions from public and the State	2,277,167	254,427
Net proceeds sale of assets	0	0
CASH UTILIZED IN INVESTING ACTIVITIES	-4,828,527	-1,188,197
Investment in infrastructure:		
- Capital expenditure	-4,828,527	-1,188,197
NET CASH FLOW	<u>-1,293,927</u>	<u>7,643,166</u>
CASH EFFECTS OF FINANCING ACTIVITIES		
(Decrease)Increase in long-term borrowing	-634,040	-869,792
(Decrease)Increase in short-term borrowing	0	0
Decrease(Increase) in cash investments	2,603,464	-5,339,683
(Decrease)Increase in cash balance	-675,498	-1,433,691
NET CASH GENERATED/UTILISED	<u>1,293,927</u>	<u>-7,643,166</u>

ENDUMENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

1. ACCUMULATED FUNDS	2005/2006	2004/2005
	R	R
Capital Development Fund	52,261,666	48,726,962
Housing Interest	2,052,811	1,798,371
Depreciation and renewals	1,285,741	1,285,741
Public Improvement Fund	8,596,984	8,006,023
Covenant Bursary Fund	41,771	40,930
Loan Redemption Fund	4,865,675	4,588,028
	<u>69,104,647</u>	<u>64,446,065</u>

2. RESERVES	2005/2006	2004/2005
	R	R
Leave Reserve	343,771	1,543,688
Insurance Reserve	2,827,595	2,674,226
Maintenance Reserve	345,189	326,167
Rental Losses Reserve	912,459	891,142
Community Facilities	846,673	843,362
Reserve for Meters	529,694	423,592
Reserve for Trees	91,958	135,813
Reserve for Cattle	581,526	569,820
Reserve for Capital	38,456	38,456
Reserve col hall furniture	1,136	1,136
Reserve sib road maint	594,211	582,250
Reserve house develop	315,149	309,306
Reserve For Equitable Share	3,481,370	2,225,648
Reserve For Office Equipment	1,309	1,309
Reserve For Quarry Rehab	168,444	168,444
Reserve For Masakhane proj	22,963	22,501
Reserve For Vehicle Maint	112,769	112,769
Reserve For Tariff Stabilisation	753,568	753,568
	<u>11,968,240</u>	<u>11,823,197</u>

3. TRUST FUNDS	2005/2006	2004/2005
	R	R
Museum Funds	115,490	83,959
	<u>115,490</u>	<u>83,959</u>

4. LONG TERM LIABILITIES	2005/2006	2004/2005
	R	R
Local registered stock	7,984,243	7,984,243
Annuity loans	17,214,665	17,848,705
	<u>25,198,908</u>	<u>25,832,948</u>
Less: Current portion transferred to Current liabilities	1,144,243	799,963
Local registered stock	<u>1,144,243</u>	<u>799,963</u>
	<u>24,054,665</u>	<u>25,032,985</u>

***LOCAL REGISTERED STOCK**

Bear interest at rates from 9.00% to 16.90% per annum and are repayable over periods of between one and seven years.

***ANNUITY LOAN**

Bears interest at the rate of 5.00% per annum and will be fully redeemed in four years.

DBSA loan bears interest at 17.00% per annum and will be fully redeemed in thirteen years.

DBSA (Glencoe) loan bears interest at 15.97% per annum and will be fully redeemed in six years.

*None of the loans are secured by any assets of the Council.

ENDUMENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

5. FIXED ASSETS	2005/2006	2004/2005
	R	R
Fixed assets at the beginning of the year.	206,927,748	200,218,114
Capital expenditure during the year.	6,028,380	6,746,855
Less: Assets written off, transferred or disposed of during the year.	206,764	37,221
Total Fixed assets	212,749,364	206,927,748
Less: Loans redeem and other capital receipts.	167,398,060	159,705,443
Net Fixed assets	45,351,304	47,222,304

6. INVESTMENTS	2005/2006	2004/2005
	R	R
Stock	4,084,243	4,084,243
Unlisted:		
Fixed deposits	0	0
Call deposits	23,020,496	25,623,959
	27,104,739	29,708,202
* Market value of the investments, and managements' valuation of unlisted investments		
Investments	4,084,243	4,084,243
Unlisted investments	23,020,496	25,623,959
* Investments are made with prescribed institutions in pursuance of Council's policy, and section 125 of the Local Government Ordinance 1974, (No 25 of 1974).		
* Investments are indicated on original value and no investments have been written off during the year.		

7. LONG TERM DEBITORS	2005/2006	2004/2005
	R	R
Housing loans	1,706,480	1,821,337
Other	712,167	768,871
	2,418,647	2,590,208

8. STOCK	2005/2006	2004/2005
	R	R
Stock represents consumable stores	2,273,366	1,904,196
Where necessary specific provision is made for obsolete stock.		
	2,273,366	1,904,196
*The value of stock and materials is indicated at average unit cost.		
Plastic bags are valued at selling price.		

9. DEBTORS	2005/2006	2004/2005
	R	R
Consumer debtors	100,242,156	102,756,207
Other	978,757	925,572
Less provision for bad debts	-10,843,478	-9,474,712
	90,377,435	94,207,067
*Irrecoverable debts are presented to council on a regular basis for writing off.		
During the year a total of R 0.00 was written off, from the reserve for doubtful debts.		
This represents 0.00% of income.		

ENDUMENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

10. PROVISIONS	2005/2006	2004/2005
	R	R
Provision for Valuation Fees	893	82,920
Provision for Audit Fees	441,110	595,493
Provision for Town Planning	204,596	200,477
	<u>646,600</u>	<u>878,890</u>

11. CREDITORS	2005/2006	2004/2005
	R	R
Trade Creditors	59,577,457	55,194,738
Deposits:	2,091,111	2,164,243
- Electricity and water	2,091,111	2,154,243
- Other	0	0
	<u>61,668,568</u>	<u>57,348,981</u>

*Guarantees instead of deposit for electricity amounted to R104 150.

12. ASSESSMENT RATES	Property Valuation at 1 July 2006	2005/2006 Income	2004/2005 Income
		R	R
Residential : Land	40,172,400	13,889,239	12,835,064
: Buildings	342,855,800		
Commercial : Land	18,663,420	7,127,995	6,719,371
: Buildings	133,402,900		
State : Land	7,811,600	3,264,886	6,090,289
: Buildings	74,755,700		
Municipal : Land	1,701,500	656,005	638,785
: Buildings	12,661,100		
	<u>632,024,420</u>	<u>24,938,125</u>	<u>26,283,509</u>

* We have three rating systems at present each with it's own valuations and tariffs.
Dundee and Wasbank rate on land and buildings whilst Glencoe only rates on land value.
All rebates are conditional on the rates being paid by the due date.

13. COUNCILLORS' REMUNERATION	2005/2006	2004/2005
	R	R
Mayor's Allowance	131,422	103,011
Deputy Mayor's Allowance	122,895	100,168
Chairman Exco	119,461	73,302
Speaker	116,924	83,848
Councillors' Allowances	338,646	390,264
Councillors' Pension Contributions	41,612	81,477
Travel Allowances	160,370	155,786
	<u>1,031,329</u>	<u>887,867</u>

The above salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

14. AUDITORS' REMUNERATION	2005/2006	2004/2005
	R	R
Audit Fees	381,343	430,202
	<u>381,343</u>	<u>430,202</u>

ENDUMENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

15. FINANCE TRANSACTIONS	2005/2006	2004/2005
Total external interest earned or paid:		
- Interest earned	2,460,590	2,713,336
- Interest paid	3,167,672	3,303,687
	<u>5,628,262</u>	<u>5,017,024</u>
Capital charges debited to operating account:		
* Interest:	5,112,966	5,243,886
- External	3,167,672	3,303,687
- Internal	1,945,293	1,940,299
* Redemption:	3,229,813	3,075,002
- External	295,123	250,694
- Internal	2,934,790	2,824,308
* Deferred charges written off	0	0
	<u>13,971,141</u>	<u>14,336,012</u>

16. APPROPRIATIONS	2005/2006	2004/2005
	R	R
Appropriation account:		
Accumulated surplus at the beginning of the year	18,775,635	9,290,414
Operating (deficit)/surplus for the year	6,606	12,829,798
Appropriations for the year:	<u>-15,926,019</u>	<u>-3,344,579</u>
Adjustments expenditure current year	0	-3,659,235
Adjustments income current year	0	0
Adjustments income previous years	-15,666,357	98,029
Adjustments expenditure previous years	<u>-259,662</u>	<u>216,627</u>
Accumulated surplus at the end of the year	<u>2,856,222</u>	<u>18,775,635</u>
Operating account:		
Fixed Assets	3,469,614	3,832,260
Contribution to:		
Capital Development Fund	2,109,303	2,090,553
Reserve Rental Losses	7,638	7,745
Maintenance Reserve	34,220	34,515
Reserve Bad Debt	1,470,000	1,170,000
Provision for leave	16,500	16,000
Provision for audit fees	220,000	400,000
	<u>7,327,276</u>	<u>7,551,073</u>

17. CASH GENERATED BY OPERATIONS	2005/2006	2004/2005
	R	R
Operating surplus for the year	6,606	12,829,798
Adjustments in respect of previous years' operating transactions	-15,926,019	-3,344,579
Appropriations charged against income:	<u>7,107,276</u>	<u>7,151,073</u>
* Capital Development Fund	2,109,303	2,090,553
* Other funds	0	0
* Provisions and reserves	1,528,358	1,228,260
* Fixed Assets	<u>3,469,614</u>	<u>3,832,260</u>
Capital Charges	<u>8,342,879</u>	<u>8,318,888</u>
* Interest paid:		
- to internal funds	1,945,293	1,940,299
- on external funds	3,167,672	3,303,687
* Redemption of:		
- internal advances	2,934,790	2,824,308
- external loans	295,123	250,694
* Deferred charges written off		
Investment income (operating account)		
Non-operating income from funds		
Non-operating expenditure against:		
Accumulated funds		
Provisions and reserves		
CLF		
Deferred charges		
	<u>-489,259</u>	<u>24,955,280</u>

ENDUMENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

18. (INCREASE)/ DECREASE IN WORKING CAPITAL	2005/2006	2004/2005
	R	R
(Increase)/ decrease in stock	-369,170	205,980
(Increase)/ decrease in debtors	3,829,632	-24,176,353
(Increase)/ decrease in creditors	4,319,587	5,633,332
	<u>7,780,049</u>	<u>-18,337,040</u>

19. (INCREASE) DECREASE IN LONG-TERM LOANS (EXTERNAL)	2005/2006	2004/2005
	R	R
Loans Raised	0	0
Loans Repaid	634,040	1,552,071
	<u>634,040</u>	<u>1,552,071</u>

20. INCREASE/ (DECREASE) IN SHORT-TERM LOANS (EXTERNAL)	2005/2006	2004/2005
	R	R
Loans Raised	0	0
Loans Repaid	0	0
	<u>0</u>	<u>0</u>

21. (INCREASE)/ DECREASE IN EXTERNAL CASH INVESTMENTS	2005/2006	2004/2005
	R	R
Investments Made	2,603,464	1,873,518
Investments Realised	0	0
	<u>2,603,464</u>	<u>1,873,518</u>

22. (INCREASE)/ DECREASE IN CASH ON HAND.	2005/2006	2004/2005
	R	R
Cash balance at the beginning of the year	3,357,686	5,165,476
Less: Cash balance at end of the year.	4,033,184	3,357,686
	<u>-675,498</u>	<u>1,807,790</u>

23. SENIOR MANAGERS REMUNERATION	2005/2006	2004/2005
	R	R
Municipal Manager	595,310	561,613
Financial Manager	548,741	517,680
Manager Corporate Services	443,623	418,513
Manager Technical Services	443,623	418,513
	<u>2,031,298</u>	<u>1,916,319</u>

24. FINANCIAL INSTITUTIONAL DETAILS	2005/2006	2004/2005
	R	R
First National Bank Current Account	5,898,276	7,405,982
	<u>5,898,276</u>	<u>7,405,982</u>

ENDUMENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2006

25. SUMMARY OF INVESTMENTS

		2005/2006	2004/2005
		R	R
First National Bank	31 Day Account	5,000,000	5,000,000
First National Bank	Call Account	6,000,000	6,000,000
Absa	Call Account	6,000,000	6,000,000
First National Bank	Ext 18	4,205	663,358
First National Bank	Finance Management Grant	468,346	702,323
First National Bank	Land Use Manage System	200,520	298,102
First National Bank	Management Audit	0	23,052
First National Bank	Specific Programme Support	0	142,913
First National Bank	Sibongile Hostel	1,433,325	2,154,614
First National Bank	Sithembile Hostel	876,807	1,313,435
First National Bank	Develop of Property Val. Roll	65,274	103,311
First National Bank	Mun Finance Manage Act	14,446	44,375
First National Bank	Electrification Ext 18	96,349	308,243
First National Bank	Interdepartmental Monitor 1	62,009	60,467
First National Bank	Projects	1,665,031	2,463,169
First National Bank	43 Houses (Repairs)	362,524	346,597
First National Bank	Implement Property Rates Act	75,638	0
First National Bank	Capacity Building Hrd	34,136	0
First National Bank	Develop Plan Capacity Build	102,265	0
First National Bank	IDP Support	50,879	0
First National Bank	Devel Admin Capacity Build	153,397	0
First National Bank	Spatial Planning	50,879	0
First National Bank	GIS Devel Infra Serv Grant	61,146	0
First National Bank	Cleanest Town First Prize	203,000	0
First National Bank	Interdepartmental Monitor 2	40,320	0
		23,020,496	25,623,959

APPENDIX A

ACCUMULATED FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

	Balance at 30/06/2005	Contributions during the year	Interest on Investments	Other Income	Expenditure during the year	Balance at 30/06/2006
	R	R	R	R	R	R
ACCUMULATED FUNDS						
Capital Development Fund	48,726,962	2,109,303	2,310,765	270,018	-1,155,382	52,261,666
Depreciation and Renewals	1,285,741					1,285,741
Public Improvement Fund	8,006,023		662,443	265,340	-336,822	8,596,984
Covenant Bursary Fund	40,930		841			41,771
Loan Redemption Fund	4,588,028	277,647				4,865,675
Housing Interest	1,798,371			254,440		2,052,811
	64,446,055	2,386,950	2,974,049	789,798	-1,492,205	69,104,647
RESERVES						
Leave Reserve	1,543,688	16,500	30,943		-1,247,360	343,771
Insurance Reserve	2,674,226		54,938	98,431		2,827,595
Maintenance Reserve	326,167	34,220	2,642		-17,840	345,189
Rental Losses Reserve	891,142	7,638	13,678			912,459
Community Facilities	843,362		3,311			846,673
Reserve for Meters	423,592		8,702	97,400		529,694
Reserve for Trees	135,813		2,790		-46,645	91,958
Reserve for Capital	38,456					38,456
Reserve col hall furniture	1,136					1,136
Reserve road maint	582,250		11,961			594,211
Reserve house develop	309,306		5,842			315,149
Reserve For Cattle	569,820		11,706			581,526
Reserve For Equitable Share	2,225,648		45,723	1,210,000		3,481,370
Reserve For Office Equipment	1,309					1,309
Reserve For Quarry Rehab	168,444					168,444
Reserve For Masakhane proj	22,501		462			22,963
Reserve For Vehicle Maint	112,769					112,769
Reserve For Tariff Stabilisation	753,568					753,568
	11,623,187	58,358	192,699	1,405,831	-1,311,845	11,968,240
TRUST FUNDS						
Museum	83,959		1,725	81,538	-51,732	115,490
	83,959	0	1,725	81,538	-51,732	115,490
PROVISIONS						
Provision for Valuation Fees	82,920		1,703		-83,730	893
Provision for Bad Debts	9,474,712	1,470,000	128,931		-230,165	10,843,478
Provision for Audit Fees	595,493	220,000	6,961		-381,343	441,110
Provision for Town Planning	200,477		4,119			204,596
	10,353,602	1,690,000	141,713	0	-695,238	11,490,077
TOTAL	86,506,813	4,135,308	3,310,186	2,277,167	-3,551,020	92,678,454

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

				<u>Balance</u>	<u>Received</u>	<u>Redeemed</u>	<u>Balance</u>
				<u>30/06/2005</u>	<u>2005/2006</u>	<u>2005/2006</u>	<u>30/06/2006</u>
External Loans							
Local Registered Stock							
<u>Date</u>	<u>%</u>	<u>No</u>	<u>Redeemable</u>				
01/02/1981	10.00	665	30/06/2011	8,000.00			8,000.00
01/08/1983	10.00	719	30/06/2013	7,200.00			7,200.00
20/01/2000	16.90	878	30/06/2011	3,900,000.00			3,900,000.00
01/07/2005	14.75	702	30/06/2006	2,263,460.00		2,263,460.00	0.00
01/07/2005	10.00	703	30/06/2006	107,540.00		107,540.00	0.00
01/07/2005	10.50	704	30/06/2006	100,000.00		100,000.00	0.00
01/07/2005	13.65	705	30/06/2006	1,000,000.00		1,000,000.00	0.00
01/07/2005	12.00	706	30/06/2006	71,150.00		71,150.00	0.00
01/07/2005	10.00	707	30/06/2006	526,893.00		526,893.00	0.00
01/07/2006	14.75	708	30/06/2007	0.00	2,263,460.00		2,263,460.00
01/07/2006	10.00	709	30/06/2007	0.00	107,540.00		107,540.00
01/07/2006	10.50	710	30/06/2007	0.00	100,000.00		100,000.00
01/07/2006	13.65	711	30/06/2007	0.00	1,000,000.00		1,000,000.00
01/07/2006	12.00	712	30/06/2007	0.00	71,150.00		71,150.00
01/07/2006	10.00	713	30/06/2007	0.00	526,893.00		526,893.00
				7,984,243.00	4,069,043.00	4,069,043.00	7,984,243.00
Annuity Loans							
31/12/1994	5.00%	15	30/06/2009	238,974.85		54,930.13	182,044.72
30/09/1999	17.00%	18	31/03/2018	16,137,681.72		389,840.93	15,748,040.79
01/01/1998	15.97%	15	31/12/2010	1,474,048.00		189,468.48	1,284,579.52
				25,832,947.57	4,069,043.00	4,703,082.54	25,198,908.03
Internal Advances to Borrowing Services							
Public Improvement Fund				4,022,461.37	1,714,169.62	534,796.91	5,201,834.08
Capital Development Fund				15,167,514.84	428,905.19	2,848,239.03	12,748,181.00
Loan Redemption Fund				175,000.00	0.00	0.00	175,000.00
Bursary Fund					0.00	0.00	0.00
				19,364,976.21	2,143,074.81	3,383,035.94	18,125,015.08